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UNDP: Recommendations of the Board of Auditors 1998-1999

Follow-up to the report of the Board of Auditors for 1998-1999

Report of the Administrator

I. Purpose

1. As in previous bienniums, and in accordance with General Assembly resolutions 47/211 of 22 December 1992 (paras. 9, 10 and 12) and 48/216 B of 23 December 1993 (para. 5), the Administrator wishes to bring to the attention of the Executive Board that the report on implementation of the recommendations of the Board of Auditors on UNDP for the biennium ending 31 December 1999 (A/55/380/Add.1) has been submitted to the General Assembly.

2. The report contained in the annex to the present document has been prepared in response to General Assembly resolution 48/216 B and 52/212 B, in which the General Assembly requested the Secretary-General and the executive heads of United Nations organizations and programmes to provide the Assembly with their responses and to indicate measures that would be taken to implement those recommendations, with appropriate timetables, at the same time that the recommendations of the Board of Auditors are submitted to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions (ACABQ). It is an updated version of section II.C (paras. 60-200) of document A/55/380/Add.1.

3. The report contains a summary of recommendations, with paragraph reference to the report of the Board of Auditors for the biennium 1998-1999, listed by area of audit, namely programme expenditures incurred by Governments and executing agencies, bank reconciliation, non-expendable property, inactive projects, change management, procurement, green-office policy, project management in country offices and review of the Office of Audit and Performance Review. The report also indicates the UNDP response to each recommendation, as provided to the Board of Auditors during the preparation of its report, as well as the status of any follow-up

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action and the target date for completion at the date of preparing the present document. The Administrator is pleased to report that progress has already been achieved in many areas and that efforts are being made to address issues that are still outstanding.

4. During the course of the audit exercise for the biennium 1998-1999, UNDP provided a detailed written response to all the observations made by the Board of Auditors in the form of management letters. Such observations, findings, recommendations and UNDP responses are reflected in the report of the Board of Auditors.

II. Executive Board action

5. The Executive Board may wish to note that considerable progress has been made by the United Nations Development Programme in implementing the recommendations of previous reports of the Board of Auditors and that action is being taken to address all recommendations made by the Board of Auditors in its report for the biennium 1998-1999.

Annex

Report of the Board of Auditors to the General Assembly on the accounts of the United Nations Development Programme for the financial period ended 31 December 1999 (A/55/5/Add.1)

Recommendations and Responses[1]

[1] All paragraph references are to document A/55/5/Add.1, chapter II.

Financial issues

Programme expenditure incurred by Governments and executing agencies

Audit reports from Governments

The Board recommends that UNDP ensure that it regularly follows up on all outstanding audit reports, and that it concentrate its efforts on those countries where it has the greatest levels of national execution (para. 22).

The recommendation is accepted. The Office of Audit and Performance Review (OAPR) systematically follows up with all the country offices as a matter of practice. The Office will, however, make additional efforts to explore the reasons for non-compliance particularly with country offices with large nationally executed project portfolios. The Office will also develop strategies to ensure greater compliance for the next audit period.

The Director of the Office of Audit and Performance Review is responsible for implementation of this recommendation.

Bank reconciliations

The Board recommends that UNDP complete the reconciliation of the main contributions account and make the necessary adjustments to its financial records (para. 37).

The recommendation is accepted. The delay in completing this reconciliation emanated from the problems experienced with the implementation of new Year-2000-compliant systems. The reconciliation was completed at the end of October 2000.

The Comptroller, Office of Finance and Administration, Bureau of Management, was responsible for implementation of this recommendation.

Non-expendable property

The Board recommends that UNDP require Resident Representatives to certify the accuracy of the annual country office inventory returns and monitor returns to ensure that all are received. The Board also recommends that UNDP review the headquarters inventory and ensure that it provides realistic valuations for all equipment. The Board further recommends that UNDP intense its effort to develop a suitable inventory control system (para. 41).

The recommendation is accepted. UNDP will ensure that action is completed by the first quarter of 2001.

The Chief of the Administrative Service Division, Bureau of Management, is responsible for implementation of this recommendation.

Inactive projects

The Board recommends that during 2000 UNDP complete this review [of advances to Governments] and write off all necessary amounts (para. 42).

The recommendation is accepted. As part of efforts to simplify the accounts, UNDP plans to commence the review of all pending receivables, including the outstanding advances to Governments, and to proceed to the necessary write-offs by June 2001.

The Comptroller, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

Management issues

Implementation of change management

Implementation documents

The Board recommends that, in projects such as UNDP 2001, UNDP prioritize activities and that it devise measurable indicators and milestones to allow systematic monitoring of progress (para. 55).

The report entitled "The Way Forward: The Administrator's Business Plans, 2000-2003", which was endorsed by the Executive Board in January 2000, sets out the vision for a new UNDP and outlines the transformation initiatives that need to be undertaken.

Building on and learning from the experience of the 2001 change process, the Bureau of Management has established a business plan monitoring system, which captures all the transformation initiatives from the

business plans. The monitoring system includes the key elements of the initiative, focal points and project leaders, milestones, a real-time monitoring and reporting mechanism, the detailed costs and funding sources. In addition, each initiative has been prioritized following the approval of the Executive Team. The road map has been used to monitor the progress of change against the Business Plans with regular reports to the Executive Team. Where necessary, remedial action has been sought and follow-up implementation undertaken. Specific templates and additional regular reporting from each unit has been established for some of the major initiatives.

The Business Plans included a transformation scorecard with goals, outcomes, and indicators of success and indicative targets. This is being developed into a UNDP "balanced scorecard", which will represent the key strategic tool to monitor the 25 or so performance indicators that will measure the impact of change and the successful implementation of the Business Plans. The design of the scorecard has been finalized and the first update will be provided by July 2001.

It is considered that this recommendation is being implemented.

The Deputy Assistant Administrator and Director, Office of Planning, Bureau of Management is responsible for implementation of this recommendation.

Costs and resources

The Board recommends that, at the planning stage of future projects such as UNDP 2001, UNDP cost all the proposed activities and estimate the total cost of the initiative (para. 59).

The response to paragraph 55 applies also to this recommendation.

The Board recommends that in future projects such as UNDP 2001, project managers should collect and report all available costs, and central programme managers should include such information in regular status reports (para. 61).

The response to paragraph 55 also applies to this recommendation.

The Board recommends that UNDP clarify the status of ongoing UNDP 2001 activities, given that it has formally closed UNDP 2001 and, if appropriate, establish detailed budgets needed to fulfil them (para. 64).

At the formal conclusion of the UNDP 2001 initiative, on 31 December 1999, there were five remaining activities. Four will be completed by the end of 2000 and one is included in the implementation of the current Business Plans. Detailed workplans and budgets have been established for all the five activities.

The Deputy Assistant Administrator and Director, Office of Planning, Bureau of Management is responsible for implementation of this recommendation.

Accountability and monitoring

The Board recommends that, in a project such as UNDP 2001, UNDP should (a) identify individuals responsible for implementation and (b) monitor targets periodically in order to identify problems as early as possible and take the necessary remedial action (para. 67).

The response to paragraph 55 applies also to this recommendation.

The Board recommends that UNDP set a clear timetable for the completion of tasks outstanding from the UNDP 2001 initiative (para. 70).

The response to paragraph 64 applies also to this recommendation.

Change management in country offices

Interaction with other United Nations organizations

The Board recommended, and the country offices accepted, that offices should improve timetabling arrangements (para. 72).

The recommendation is accepted. During the course of 1999, a major exercise was carried out to agree on dates for harmonizing programme cycles. In addition, with the introduction of the country office management plan in 2001, each country office will be required to specify in its COMP its timetables for undertaking the common country assessment and the United Nations Development Assistance Framework.

The Director of the Operations Support Group and the Directors of the Regional Bureaux are responsible for implementing this recommendation.

The Board recommends that all country offices investigate the possibilities of agreeing common service contracts with other United Nations organizations, as a method of offering potential cash savings and administrative efficiencies (para. 75).

The recommendation is accepted. UNDP confirms that it will be actively working with the inter-agency working groups on the implementation of and management of common services contracts, including cost-effectiveness and performance measurement, starting in 2001.

The Chief, Administrative Service Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

Office organizations and staffing matters

The Board recommends that all country offices complete job descriptions and competency statements for all posts and that they use them to develop appropriate training plans for staff (para. 79).

In line with phase II of the reduction exercise, the country offices are expected to reduce their budgets by 15 per cent in 2001. This will, in any case, affect the organization of the office and will, no doubt, require the redesign of job descriptions with competency statements and relevant retraining.

The Learning Resources Centre of the Office of Human Resources supports the development of appropriate training plans to accompany both new job descriptions and the alignment of competency statements for all posts; the expertise available from the LRC is, however, limited. It is therefore the recommendation of the Centre that, in the interim, training plans should be based on recommendations contained in the existing performance appraisal reviews of staff members.

The scope for creating new job descriptions and competency statements for the posts in all the UNDP country offices is extremely wide. In the context of the current reduction exercise at UNDP and the forthcoming restructuring expected of country offices, UNDP will need to determine the appropriate support for this important exercise and the level of additional resources required. It is too soon to know the exact scope of this exercise, but it will be an early priority to be developed in connection with the eventual plans for the restructuring of country offices. The approximate target date is end 2001.

The Director, Office of Human Resources, Bureau of Management, is responsible for implementation of this recommendation.

Procurement

Compliance with UNDP rules and regulations

The Board recommends that UNDP remind line units of the need to confirm receipt of goods and services promptly (para. 88).

The recommendation is noted. It has always been UNDP policy to ensure that line managers confirm receipt of goods and services before the actual payment are approved. This is further emphasized in the revised Finance Manual, which was issued in May 2000.

The Comptroller, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

Identification and evaluation of suppliers

The Board recommends that UNDP establish a database of potential suppliers (para. 92).

The recommendation is noted. Procurement at headquarters is carried out on a somewhat limited scale and covers a narrow range of goods and services, essentially data-processing equipment, office supplies, office furniture, office equipment, printing and building-maintenance services. As such, an informal roster of potential suppliers is maintained. The divisions at headquarters undertaking procurement make use, where possible, of the United Nations supplier roster maintained by the Procurement Division of the United Nations. In addition, for a number of common items, UNDP is able to use the long-term agreements entered into by the United Nations and the United Nations Population Fund. UNDP also has access to the United Nations Common Supply Database

maintained by the Inter-Agency Procurement Services Office on behalf of the United Nations system. It may not, therefore, be cost-effective for UNDP to establish and maintain its own separate formal database.

The Chief of the Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

The Board recommends that UNDP develop more formal monitoring of supplier performance (para. 94).

The recommendation is noted, as are the accompanying comments on good practices of monitoring. UNDP will formalize its monitoring practices to capture relevant information on supplier performance.

The Chief of the Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

Contract-letting

The Board recommends that UNDP benchmark its performance in the time taken to let contracts, establish timetables for each element of the procurement process and monitor performance against these (para. 97).

The recommendation is accepted. UNDP will establish appropriate benchmarks for the letting of contracts.

The Director, Office of Legal and Procurement Support, Bureau of Management, is responsible for implementation of this recommendation.

The Board recommends that UNDP build on the examples of good practice and ensure that clear terms of reference are used for bids and, where possible, use standard pricing sheets to assist in the evaluation of bids (para. 102).

Existing procurement guidelines will be further elaborated to disseminate information on best practices by the end of 2000.

The Director, Office of Legal and Procurement Support, Bureau of Management, is responsible for implementation of this recommendation.

Role of the Advisory Committee on Procurement

The Board recommends that UNDP ensure that country offices submit to the Advisory Committee on Procurement all procurement actions falling outside their delegated level of authority.

The recommendation is accepted. UNDP shares the concerns expressed by the Board in this regard. Through adoption of its revised procurement framework, as now manifested in the new Finance Manual (which in turn is derived from the revised Financial Regulations and Rules approved by the Executive Board in its decision 2000/4), the limits of the authority of resident representatives to approve procurement actions have been clarified. UNDP plans to issue further detailed guidelines on procurement during the latter part of 2000 in order to assist country offices to adopt best procurement practices. In addition, new, more efficient ways are being sought to train procurement staff in country offices in order to improve the ability of country offices to comply with applicable rules and procedures. The situation, however, will be monitored closely through mandatory reports of country offices on procurement activities and through regular internal auditing where procurement will be a special focus.

The Director, Office of Legal and Procurement Support, Bureau of Management, is responsible for implementation of this recommendation.

Green office policy

UNDP consideration of environmental and sustainable development issues

The Board recommends that UNDP give a higher profile to internal environmental issues. The Board also recommends that as it develops an environmental management strategy (EMS), UNDP incorporate key elements of good practice described in the international standard supporting sustainable business development (ISO 14001), particularly:

- **Approval of the EMS at the Executive Board level;**
- **Completion of environmental risk assessments;**
- **Documentation of environmental practices;**

- **Development of environmental objectives and targets, supported by measurable performance indicators to assess progress;**
- **Regular progress reports to the Executive Board;**
- **Identification of environmental training needs for staff and provision of resources to meet such needs; and**
- **Internal audit or evaluation procedures which cover all activities that can potentially affect the environment (para. 117).**

The recommendation for UNDP to give a higher profile to internal environmental issues is welcome. An assessment funded by the Swedish International Development Cooperation Agency of how UNDP is currently incorporating environmental sustainability issues into its worldwide operations has been carried out and the draft report is being prepared. The report will outline options for how an environmental management strategy could be organized in UNDP, including most of the recommendations made by the United Nations Board of Auditors. The draft report was finalized in September 2000 and its recommendations reviewed by the Sustainable Energy and Environment Division and by the Greening UNDP Task Force for transmission of recommendations to the Executive Team for decision in early 2001, at the latest. The specific recommendations by the Auditors were reviewed and taken into consideration in the September 2000 report.

The Director, Sustainable Energy and Environment Division, Bureau for Development Policy and the Assistant Administrator, Bureau of Management, are responsible for implementation of this recommendation.

Green Office initiatives at headquarters and country offices

The Board recommended to each office that it should develop formal green policies and establish a focal point to take matters forward (para. 118).

The recommendation is accepted. The "green" policy of UNDP has been in place since 1995, when the publication entitled "The Green Office Initiative" was officially released. To enhance ecological effectiveness at the country level, there is a need to develop detailed guidelines and practical tools. The Bureau for Development Policy and the Bureau of Management are working together on this issue and expect to develop them by the end of 2000. To facilitate implementation in the country offices, UNDP will be pursuing the establishment of environmental targets, such as paper and energy consumption, with the country offices.

The Director, Sustainable Energy and Environment Division, Bureau for Development Policy and the Assistant Administrator, Bureau of Management, are responsible for implementing this recommendation.

Green procurement

The Board recommends that UNDP undertake a cost benefit analysis to assess the savings likely to accrue from the development of a green procurement policy (para. 123).

The recommendation is accepted and UNDP will take action accordingly.

The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

The Board recommends that UNDP develop appropriate tools and information to assist staff in their consideration of green issues at an early stage in the procurement process (para. 125).

The recommendation is accepted. UNDP agrees that it is extremely important that staff at headquarters and in the country offices have access to appropriate tools and information to give proper consideration to environmental issues at early stages of the procurement process. To this end, a representative of the Sustainable Energy and Environment Division was added to the Advisory Committee on Procurement (ACP) in 1999 to help to ensure that green issues are considered in procurement decisions. By 31 January 2001, UNDP will develop, for use by the ACP and country offices, basic environmental guidelines, an overview of the key issues involved and sources of detailed and reliable information, as well as generic recommendations on major procurement items. These guidelines and background information, prepared by the UNDP Environmental Policy Advisor and Procurement Advisor, will also be placed on the UNDP web site for easy access by UNDP staff and others.

The Director, Office of Legal and Procurement Support, Bureau of Management, is responsible for implementation of this recommendation.

Energy efficiency and building policies

The Board recommends that UNDP follow up the recommendations made in the 1998 report on energy use and environmental impacts on the offices located at 304 East 45 Street (FF Building) and at 1 United Nations Plaza (DC1 Building) (para. 128).

The recommendation is accepted. Among the measures being taken to follow up on the recommendations made by the 1998 report on the FF Building is the retrofitting of the building. The request-for-proposal process is ongoing. This comprehensive, energy-efficient retrofit will address not only equipment upgrades with control systems (air conditioning and lighting) but also managerial and maintenance issues. Implementation of the retrofit will begin by the end of 2000. With respect to the DC-1 Building, it is important to note that it is rented by UNDP from the United Nations, which in turn rents it from the United Nations Development Corporation. As the FF Building retrofit project is the first of its kind undertaken by the United Nations system, a successful outcome is likely to influence the United Nations in undertaking a similar initiative in the DC-1 Building. UNDP has already advised the United Nations of this initiative and will report on the results to the United Nations for possible replication in the DC-1 Building. In advocating this approach, UNDP will actively follow up this initiative.

The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

The Board recommends that country offices should address energy efficiency when preparing their individual green office policies (para. 131).

The recommendation is accepted. To ensure consistency, UNDP is planning to issue guidelines/check list covering various aspects of energy conservation at the country-office level. They will be issued by the end of 2000.

The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

Recycling

The Board recommends that UNDP introduce improved monitoring of paper use across divisions and that UNDP set a target for a reduction in paper use. The Board also recommends that UNDP set standards for printer and copier use, for example ensuring that all machines default to double-sided printing (para. 135).

The recommendation is accepted. UNDP confirms that an action plan will be implemented by the first quarter of 2001.

All new printer acquisitions are required to have duplex capability and UNDP is standardizing printers and replacing the energy-inefficient ones. The Advisory Committee on Procurement (ACP) has endorsed this.

The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementing this recommendation.

Project management in country offices

Implementation to time and budget

The Board recommends that country offices ensure executing agencies provide quarterly reports on progress of projects and that UNDP take prompt corrective action when projects fall behind schedule (para. 140).

The recommendation is noted. In the past, UNDP programming procedures required quarterly reporting by executing agencies (then primarily United Nations specialized agencies) but this requirement became burdensome and was reduced to annual reporting in the context of the annual tripartite reviews of projects. As the extent to which agency execution is utilized as a modality for managing UNDP-supported projects has become limited, it may not be efficient to change current practices. At present, the largest portion of UNDP-supported projects are under national execution. A requirement for quarterly reporting under this modality already exists since national executing agencies are required to report on the progress of projects in connection with requests for payment of quarterly advances of resources.

The Director, Operations Support Group, is responsible for implementation of this recommendation.

The Board recommends that UNDP use the financial information management shadow budgeting facility to implement a more realistic planning system and control the timing of project delivery (para. 143).

UNDP does use the Financial Information Management System (FIMS) shadow-budgeting facility to manage the resources. A more realistic planning and control system to time project delivery would depend on factors beyond shadow budgeting, such as untimely delivery of goods and services ordered. However, the recommendation is accepted and UNDP is already instituting systems such as results-based management towards the better control and timing of project delivery.

The Division for Resources Planning and Coordination, Bureau of Management, designed the FIMS shadow-budgeting facility as a critical tool to be used by programme managers to ensure realistic programme resource planning and delivery at both the individual project and overall programme levels. As FIMS is a decentralized system, the degree to which the shadow-budgeting facility is used ultimately depends on individual users. The Division has sent a letter to all resident representatives highlighting existing critical FIMS functionalities. UNDP will ensure that appropriate instructions are included with respect to the shadow-budgeting facility.

The Directors, Division for Resources Planning and Coordination, Bureau of Management, are responsible for implementation of this recommendation.

The Board recommends that UNDP ensure that all project documents and revisions contain information on:

- **The overall project budget, broken down by sub-head and phased over the life of the project; and**
- **The overall project budget broken down by objective, or sub-objective (para. 145).**

All budgets currently reflect annualized, approved inputs at the component/line level over the life of the project.

Budgeting by objectives and outputs was designed in the programme support document format and software. Moreover, the Programming Manual also advocates the use of this methodology for project documents. These procedures are contained in the new Programming Manual, which was issued in April 1999. Project documents prepared before that date would not have benefited from those procedures. UNDP will ensure, through the country office management plan and the ROAR that procedures in the manual are followed.

The Director, Operations Support Group, is responsible for implementation of this recommendation.

The Board recommends that UNDP prepare project plans only on the basis of committed funding (para. 147).

It is indeed UNDP policy that project documents reflect only such funds as are available within ceilings for commitments for the current planning period (Financial Rule 111.01 (d)) at the time of signing the document. Country offices that do otherwise would be in violation of the policy. As part of its oversight function, UNDP will begin to monitor project budgets to ensure the policy is followed.

The Director, Operations Support Group, is responsible for implementation of this recommendation.

The Board recommends that UNDP complete and issue the guidance on projects funded by this donor to country offices as a matter of priority (para. 149).

The recommendation is accepted. The Division for Resources Planning and Coordination will release draft guidelines by December 2000 on this donor's funded projects for internal UNDP review, comments and approval.

The Director, Division for Resources Planning and Coordination, Bureau of Management, is responsible for implementation of this recommendation.

Monitoring and evaluation

The Board recommends that UNDP ensure that all projects contain quantified and measurable performance indicators or targets, and that it measure the progress of a project against those criteria. The Board also recommends that country offices carry out regular monitoring and evaluation in line with UNDP guidelines (para. 153).

The elements of the recommendation are provided for in the Programming Manual although older project documents may not contain them. New programming instruments are being developed and promulgated in UNDP to address delivery, results and performance through results-based management and the country office management plan. Once these instruments are in use in all countries, in 2001, UNDP will have in place a system of annual reviews and results-oriented annual reports to monitor the application of the new instruments, to assess the achievement of performance indicators and to monitor and evaluate performance.

The Directors, Operations Support Group and the Evaluation Office, are responsible for implementation of this recommendation.

Review of the Office of Audit and Performance Review

Organization and staffing

The Board recommends that the Office of Audit and Performance Review assess qualification needs for each audit post and draw up a strategy to ensure that these needs are met (para. 162).

The Office of Audit and Performance Review believes that this recommendation has already been addressed. In early 1999, as part of establishing its learning, training and development framework, the Office identified the proficiency requirements (in terms of knowledge, skills and experience) for all audit posts. Existing staff of the Office were assessed against the established proficiency requirements and identified gaps were included in learning, training and development plans. These proficiency requirements have also been used to assess candidates during subsequent recruitment actions.

The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

Continued professional training

The Board recommends that the Office of Audit and Performance Review ensure that each member of staff receives sufficient training to ensure that the organization retains its technical competency (para. 166).

In general, the Office of Audit and Performance Review has ensured training of its staff based on its annual training plans. For 1999, the Integrated Management Information System (IMIS), as a new corporate tool, became a training priority, which impacted on training efforts and overall training expenditure as it was conducted in house. The Office benchmarked all staff against the results of the learning, training and development exercise in 1999 and identified long-term training and development needs. While the Office had initially intended to develop individual long-term learning, training and development plans for each staff member of the Office by the end of 2000, this action has been deferred to the end of March 2001 in order to benefit from the completion of the annual performance appraisal exercise.

The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

Audit coverage

The Board recommends that the Office of Audit and Performance Review conduct a detailed analysis of the risks to management information and financial controls associated with the IMIS implementation and perform appropriate reviews of the system and its interfaces (para. 171).

The recommendation is accepted. The Office will undertake a detailed analysis of the risks associated with IMIS systems and its interfaces and will include in its 2001 audit plan a review of IMIS with a specific scope to be determined as a result of the analysis.

The Director, Office of Audit and Performance Review, is responsible for implementing this recommendation.

The Board recommends that the Office of Audit and Performance Review ensure a greater coverage of the Europe and Commonwealth of Independent States region during the biennium 2000-2001, especially given the growth in number of these country offices in recent years (para. 174).

The recommendation is accepted and the recommendation is in the process of being implemented. In order to increase the level of coverage

of the countries in the region, the Office of Audit and Performance Review has already started the process of obtaining contract resources under the activities of limited duration (ALD) modality, which is expected to be completed by late 2000 or early 2001. The Office has completed the management audits of at least four country offices in that region.

The Director, Office of Appraisal and Performance Review, is responsible for implementation of this recommendation.

Control self-assessment

The Board recommends that the Office of Appraisal and Performance Review conduct formal, independent reviews to determine how effectively management is implementing the control self-assessment action plans (para. 177).

The recommendation is accepted. The control self-assessment (CSA) initiative started in 1999 and is still in its early stages. The Office has undertaken a review of the CSA implementation process. Currently, the CSA process includes the completion of an action plan, which is required of management at the end of each CSA exercise. For the results of the CSA conducted in 1999 and 2000, which had action plans, the Office will initiate a formal process, effective 2001, for identifying and following up management actions to implement the recommendations. The Office will also identify the negative impact on service delivery of these additional efforts, which are subject to overall availability of resources.

The Director, Office of Audit and Performance Review, is responsible for implementing this recommendation.

The Board recommends that the Office of Audit and Performance Review, follow up on the control self-assessment workshop reports and, where applicable, use this information to inform its risk assessments and audit planning (para. 178).

The recommendation is accepted. The Office has instituted this as a mandatory practice in the planning of its audits. The CSA reports will systematically be posted on the Office of Audit and Performance Review web site, with access only to office staff, as part of the permanent files.

The Director, Office of Audit and Performance Report, is responsible for implementation of this recommendation.

Audit planning

The Board recommends that the Office of Audit and Performance Review revise its long-term plan to take account of risk to individual systems (para. 121).

The recommendation is accepted. The Office has identified corporate systems and/or functions that will be taken into consideration in the next long-term and annual audit plans.

The Director, Office of Audit and Performance Review, is responsible for implementing this recommendation.

The Board recommends that the Office of Audit and Performance Review prepare audit programmes for all the functional and systems management audits it intends to perform, which OAPR management should review prior to the commencement of the audits to ensure that the proposed coverage is complete and meets the defined audit objectives (para. 184).

The recommendation is accepted. Commencing immediately, the Office will prepare detailed audit programmes for all functional and systems audits prior to the commencement of such audits.

The Director, Office of Audit and Performance Review, is responsible for implementing this recommendation.

The Board recommends that the Office of Audit and Performance Review develop a system to properly identify the full costs of each output (para. 186).

The recommendation is accepted. The Office has developed a concept paper to consider alternate cost models. One of these will be selected and implemented as a prototype by the end of 2001. UNDP anticipates the full implementation of the activity-base costing module in the year 2002. It should be noted, however, that this exercise will require significant OAPR resources and may result in the reduction of resources available for service delivery.

The Director, Office of Audit and Performance Review, is responsible for implementing this recommendation.

Audit guidance

The Board recommends that, as a first step in each audit, and to help inform audit planning, the Office of Audit and Programme Review document the key systems and controls and hold the information on permanent files to facilitate subsequent audits (para. 189).

The recommendation is accepted. The Office will identify key systems and ideally incorporate them in electronic format, subject to availability of resources. References/links will also be made to the electronic corporate systems documentation already in existence. Some of the work has been completed and the rest is a high priority for 2001. However, for systems that do not have complete documentation, additional review and analysis may be continued through the first half of 2001.

The Director, Office of Audit and Programme Review is responsible for implementation of this recommendation.

Audit procedures

The Board recommends that the Office of Audit and Programme Review develop an internal audit manual that provides a framework for its future operations. It should support the internal audit manual with a series of comprehensive audit guidance notes to provide detailed advice for the effective performance of the audits (para. 191).

The recommendation is accepted. The audit manual has been completed and is available electronically.

The Director, Office of Audit and Programme Review, is responsible for implementing this recommendation.

Audit quality

The Board recommends that the Office of Audit and Performance Review introduce a standard approach for conducting and evidencing the management review of working papers (para. 194).

The Office believes that this recommendation has already been addressed. As a result of the quality assurance review initiated by the Office, changes were introduced in 1999 with respect to the requirements for review of working paper files, including additional documentation of the review process.

Contracted-out audits

The Board recommends that the Office of Audit and Performance Review on a test basis the working papers of all its contractors to ensure that they obtain sufficient, relevant and reliable audit evidence to support their conclusions (para. 199).

The recommendation is accepted. Owing to concerns about service quality, the use of firms to provide contracted audits of country offices has been discontinued, except for the Asia and Pacific and Arab States regions. The working papers of the firm providing services in those regions have been reviewed on a test basis.

The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

Audit Committees

The Board recommends that UNDP re-establish the Management Review and Oversight Committee, by reappointing individuals to the vacant seats on the Committee (para. 203).

The recommendation is accepted. The Management Review and Oversight Committee has been re-established and one meeting has been held.

The Director, Office of Audit and Performance Review, is responsible for implementing this recommendation.